

House Education & the Workforce Committee

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ISSUE SUMMARY

H.R. 10 Meets the Unique Retirement Needs of Women

Women often face financial hardship later in life partly because many do not have continuous access to pensions during their lifetimes and partly because they generally live longer than men do. Pension laws need to be changed to accommodate the unique work patterns and life situations experienced by women.

H.R. 10 addresses the retirement savings gap in a comprehensive way and makes retirement security available to millions of women by expanding small business retirement plans, allowing workers to save more, enhancing retirement security, and cutting red tape that hamstrings employers who want to establish pension plans for their employees. Key highlights of the bill are included below.

- **Catch-Up Contributions.** Even when women have access to employer-sponsored pension plans, they often cannot contribute as much because women typically work in lesser-paying jobs and often temporarily leave the workforce to care for families. H.R. 10 allows women to make catch-up contributions later in life, shortly before their retirement years, when they may have a higher income and fewer family financial obligations.
- **Pension Portability.** Portability of pension benefits is an important issue for women since their average job tenure is shorter than men's. The bill allows workers to move retirement benefits between most types of pension arrangements, thereby keeping their retirement assets under "one roof" as workers move through their careers. The measure also makes it easier for women to place their retirement savings in IRAs when they take time out of the workforce, preserving the tax-deferred status of these assets.
- **IRA Expansion.** When women are out of the workforce, often to raise children or care for elderly parents, they lack access to employer-sponsored retirement plans. IRAs are the only retirement savings vehicle they have. Yet the maximum IRA contribution of \$2,000 is far less than women are permitted to save if they work and contribute to a 401(k) plan. By expanding the IRA contribution amount to \$5,000, the bill helps women doing the critical work of family care and enables them to save more for their retirement.
- **Reducing Vesting Requirements.** Because women generally have shorter job tenures than men, they sometimes do not have the chance to build up retirement savings by vesting in company contributions. The measure allows workers to vest employer matching contributions sooner -- lowering the requirement from five years down to three years -- which will give women a chance to vest more rapidly and accumulate retirement assets more quickly.
- **Eliminating Savings Barriers.** Many families today are two wage earner families. As women usually make less than men do, they frequently are limited in making retirement contributions by a current-law contribution limitation set at 25 percent of compensation. The bill repeals this particular limitation so that modest wage earners may make larger contributions to their retirement plans.